Can we provide for our family and leave a charitable legacy?

DIVERSIFIED TRUST

COMPREHENSIVE WEALTH MANAGEMENT

DIVERSIFIED TRUST CASE STUDY - WEALTH TRANSFER PLANNING | MARCH 2017

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SCENARIO

Maximum wealth transfer with minimal taxes — that was the goal for the Clarks, a couple in their early 70's with roughly $30 million in assets. They wanted to provide for their children, grandchildren and charitable institutions close to their hearts, including two universities and a community foundation. Of primary concern was a grandson with special needs who requires care — including comfortable living arrangements and other necessities — beyond what government assistance provides.

All this had to be balanced with the couple's need to maintain their current lifestyle in retirement. They called on Diversified Trust to develop a solution.

OUR APPROACH

We began by sitting down with the Clarks to gain an understanding of their financial picture including the makeup of their assets, their lifestyle needs and their estate and charitable giving goals. We reviewed their existing estate planning structure to identify gaps between their current plan and their established goals. Numerous recommendations were made including modifications to legal documents, changes to ownership of assets and beneficiary designations, and establishment of new trusts to better align their estate plan with their goals. All recommendations were made with the current legislative climate in mind and the potential for future changes.

Next we built a comprehensive model to illustrate the impact of our recommendations on current and future cash flow, income and estate taxes and distributions to heirs and charity. We reviewed our recommendations with the client's attorney and tax advisor to ensure all were in agreement and coordinated with all advisors to execute the agreed upon plan.

Generation skipping tax (GST) exempt trusts were created for the grandchildren to shelter the maximum amount allowed from taxes in the estates of future generations.

RESULTS

Through the use of trusts, retitling of assets and changes to beneficiary designations, we helped the Clarks create a wealth transfer plan that reflected the couple's charitable giving goals as well as their desire to provide for children and grandchildren.

A life insurance trust was created to remove paid-up policies from the Clark's taxable estate resulting in significant estate tax savings. A Special Needs Trust was established for the grandson who requires exceptional care and funded with an amount to ensure his ongoing needs will be met.

Generation skipping tax (GST) exempt trusts were created for the grandchildren to shelter the maximum amount allowed from taxes in the estates of future generations. Trusts for children were named as beneficiaries of the remainder of the estate. To accomplish charitable goals and to minimize estate tax and future income taxes, charitable institutions were named as beneficiaries of the couple's IRAs.

Overall, the plan will save an estimated $5 million in taxes and still allow the couple to make annual charitable contributions of roughly $300,000 while living off retirement income of about $650,000 per year from defined benefit plans. More importantly, the Clarks can feel confident knowing that their heirs and the charities that mean the most to them will be benefit from their wealth.

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